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MELTON

REAL ESTATE LTD.

ANNUAL REPORT
1970

CONTENTS

	Page
Corporate Information	1
Directors	2
Report to Shareholders	3, 4
Auditors' Report	5
Balance Sheet	6, 7
Statement of Income and Retained Earnings	8
Statement of Source and Use of Cash	9
Notes to Financial Statement	10, 11
Real Estate Sales Division Offices	12
Real Estate Sales Division Report	13
Edmonton and Calgary Department Managers	14
Land Development Department Report	15
Real Estate Investment Department Report	15
Personnel and Public Relations	16

MELTON REAL ESTATE LTD.

ANNUAL REPORT

for year ended December 31, 1970

CORPORATE INFORMATION

OFFICERS

Stanley L. Melton President
John R. Sherrin Vice-President
William G. Holmes, C.A. Secretary-Treasurer

HEAD OFFICE

Melton Building, 10310 Jasper Avenue
Edmonton, Alberta

REGISTRAR AND TRANSFER AGENT

Royal Trust Company
Edmonton, Vancouver

AUDITORS

Willetts Macmahon & Co.

BANKERS

Canadian Imperial Bank of Commerce

SOLICITORS

Field Hyndman

STOCK LISTED

Vancouver Stock Exchange

ANNUAL MEETING

May 15, 1971 at 9:30 a.m.
Chateau Lacombe Hotel
Edmonton, Alberta



DIRECTORS

Seated Left to Right

LEO G. LEMIEUX

GEORGES R. BROSSEAU, B.A., LL.B.

STEWART BECKHUSON

STANLEY L. MELTON

WILLIAM G. HOLMES, C.A.

JOHN R. SHERRIN

HON. ERNEST C. MANNING, P.C., C.C.



S. L. MELTON
President

REPORT TO SHAREHOLDERS

On behalf of the Board of Directors I am pleased to submit the Annual Report on your Company's operations for the year ending December 31st, 1970:

Your Company experienced a satisfactory year despite the high interest rates and limited supply of mortgage funds which prevailed for most of the year.

Net Earnings of the Company for the year after provision for current and deferred income tax was \$225,757 representing 11 cents per share. The cash flow was 15½ cents per share.

The net earnings for 1970 are below last years due primarily to not having serviced lots for sale in West Jasper Place during the year.

The assets of the Company increased because of further investments in income producing real estate.

During the year the Company, for the first time in its history, sought public financing and approval was obtained to sell \$1,200,000 worth of debentures.

In spite of the tight money conditions of the past year the initial offering of \$600,000 was oversubscribed within a very short period of time.

More detailed information on the activities of the Company will be found throughout the report.

Your Directors are optimistic that with the relaxing of monetary restraints, 1971 will be a year of increased real estate sales, and anticipate an increase in earnings over the past year.

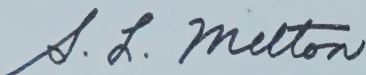
Your Company is in an excellent position to benefit from any improvement in the economic climate as we have increased the number of departments and personnel in our Brokerage Division and we will have an adequate supply of serviced lots for sale in the subdivisions we are developing in West Edmonton and the Towns of Spruce Grove and Leduc. We are also hopeful that there will be some activity in Terwillegar Heights, a subdivision in South West Edmonton, in which we hold an option to purchase lots at a price substantially below current market value, as referred to in Note II of our Financial Statement.

Your Directors have approved the payment of a dividend of five cents a share payable September 1st, 1971 to all Shareholders of record as at August 15th, 1971.

We wish to express our thanks and appreciation to all our employees for their sincere and dedicated efforts on behalf of the Company.

And our thanks to our Shareholders for their interest and support.

ON BEHALF OF THE BOARD OF DIRECTORS

A handwritten signature in cursive script that reads "S. L. Melton".

S. L. MELTON, PRESIDENT.

WILLETTS MACMAHON & COMPANY

CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To the Shareholders of
Melton Real Estate Ltd.

We have examined the consolidated balance sheet of Melton Real Estate Ltd. as at December 31, 1970 and the consolidated statements of income and retained earnings and source and use of cash for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the consolidated financial position of the company as at December 31, 1970 and the results of its operations and source and use of cash for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the changes in accounting for carrying costs of land described in Note 2 with which we concur.

Willetts Macmahon & Company

EDMONTON, Alberta,
March 12, 1971.

Chartered Accountants.

MELTON REAL ESTATE LTD.
CONSOLIDATED BALANCE SHEET
December 31, 1970
(with comparative figures for 1969)

	ASSETS	
	1970	1969
Accounts and Notes Receivable	358,522	652,980
Real Estate Held for Resale - at cost - Note 2		
Land (including carrying charges		
1970 - \$97,142; 1969 - \$56,056)	1,417,521	1,530,335
Development costs	312,142	381,611
Prepaid Expenses and Deposits	7,240	7,293
Mortgages and Notes	1,402,892	1,453,824
Investments - Notes 1 and 3	486,618	602,129
Rental Properties, complete and in progress other fixtures and leaseholds, at cost, less accumulated depreciation - Note 4	2,950,292	1,788,017
Deferred Financing Costs	11,214	—
Goodwill	181,505	181,505
	<u>\$7,127,946</u>	<u>\$6,597,694</u>
Trust Assets	<u>\$ 112,344</u>	<u>\$ 112,002</u>

APPROVED ON BEHALF OF THE BOARD:

S. L. MELTON, Director

W. G. HOLMES, Director

LIABILITIES AND SHAREHOLDERS' EQUITY

	1970	1969
Bank Advances - Note 5	189,028	651,210
Accounts Payable	340,534	229,622
Provision for Future Development Costs	193,481	470,412
Notes Payable, including accrued interest	40,500	76,087
Income Taxes Payable	47,916	159,013
Agreements Payable on Real Estate Held for Resale	576,702	654,009
Deferred Income Taxes - Note 6	223,032	154,810
Mortgages Payable on Rental Properties	1,674,812	1,186,347
10% Debentures Payable, Series A, due July 31, 1976 - Note 7	600,000	—
Total Liabilities	<u>3,886,005</u>	<u>3,581,510</u>
Shareholders' Equity		
Share capital - Note 8		
Authorized - 3,000,000 shares of no par value		
Issued - 2,033,503 shares	1,577,283	1,577,283
Retained earnings	1,664,658	1,438,901
	<u>3,241,941</u>	<u>3,016,184</u>
	<u>\$7,127,946</u>	<u>\$6,597,694</u>
Trust Liabilities	<u>\$ 112,344</u>	<u>\$ 112,002</u>

MELTON REAL ESTATE LTD.
CONSOLIDATED STATEMENT OF INCOME
For the year ended December 31, 1970
(with comparative figures for 1969)

	<u>1970</u>	<u>1969</u>
Income		
Gross revenue from commissions, fees and property management	2,357,109	2,207,560
Profit on sale of real estate	158,543	321,196
Rental income	250,843	246,311
Mortgage interest and discounts	181,817	188,611
Other	8,756	55,908
	<u>2,957,068</u>	<u>3,019,586</u>
Expenses		
Operating expenses	2,246,558	2,124,708
Property operating expenses	83,812	101,900
Interest	133,316	134,052
Depreciation	43,956	40,296
	<u>2,507,642</u>	<u>2,400,956</u>
Income before income taxes	<u>449,426</u>	<u>618,630</u>
Provision for income taxes - Note 6		
Current	155,448	178,322
Deferred	68,221	108,045
	<u>223,669</u>	<u>286,367</u>
Net income - Note 2	<u>\$ 225,757</u>	<u>\$ 332,263</u>
Earnings per share		
Weighted average of number of shares outstanding during each year	\$.11	\$.17

CONSOLIDATED STATEMENT OF RETAINED EARNINGS
For the year ended December 31, 1970
(with comparative figures for 1969)

	<u>1970</u>	<u>1969</u>
Balance, beginning of year	1,438,901	1,208,311
Net income for the year	225,757	332,263
	<u>1,664,658</u>	<u>1,540,574</u>
Dividends paid	—	101,673
Balance, end of year	<u>\$1,664,658</u>	<u>\$1,438,901</u>

MELTON REAL ESTATE LTD.
CONSOLIDATED STATEMENT OF SOURCE AND USE OF CASH
For the year ended December 31, 1970

Source of Cash

Operations	315,765
Issue of 10% debenture Series A	600,000
Mortgage proceeds on rental properties	507,769
Decrease in accounts receivable	294,458
Decrease in real estate held for resale	182,283
Reduction of mortgages receivable - net	125,932
Proceeds from other investments	<u>84,961</u>
	<u>2,111,168</u>

Use of Cash

Additions to rental properties and other fixed assets	1,239,725
Repayment of long-term debt	132,198
Net decrease in other liabilities	<u>277,063</u>
	<u>1,648,986</u>

Excess of source of cash over use of cash represented by reduction of bank advances	<u>\$ 462,182</u>
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MELTON REAL ESTATE LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 1970

NOTE 1 — Principals of Consolidation

The accompanying financial statements do not include the assets, liabilities and profits of a subsidiary company, Trans-Canada Joint Mortgages Corporation Ltd., which is not consolidated because of the different nature of its business.

NOTE 2 — Changes in Basis of Accounting

The company's policy has been changed to now include carrying costs of real estate held for resale, such as interest and property taxes, as part of the cost of real estate. The 1969 financial statements have been restated to reflect this accounting policy change.

Had the above change not been made in the current year, net income after income taxes would have been \$26,974 less than as shown.

NOTE 3 — Investments

Investments are as follows:

	<u>1970</u>	<u>1969</u>
Investments in subsidiary company		
— at cost	89,251	89,251
Advances to joint ventures and partnerships		
— equity basis	279,966	337,366
Other investments — at the lower of		
cost or net realizable value	<u>117,401</u>	<u>175,512</u>
	<u>\$486,618</u>	<u>\$602,129</u>

NOTE 4 — Rental Properties, Complete and In Progress, Other Fixtures and Leaseholds.

These assets and related depreciation comprise:

	<u>1970</u>			<u>1969</u>
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>	<u>Net</u>
Rental Properties				
Complete	1,816,715	103,873	1,712,842	1,685,982
Under construction	1,188,725	—	1,188,725	50,230
Furniture and lease-				
hold improvements	<u>115,108</u>	<u>66,383</u>	<u>48,725</u>	<u>51,805</u>
	<u>\$3,120,548</u>	<u>170,256</u>	<u>2,950,292</u>	<u>1,788,017</u>

NOTE 5 — Bank Advances

The company has assigned its accounts receivable and a note receivable as security for the bank advances.

NOTE 6 — Deferred Income Taxes

On a cumulative basis income taxes payable have been reduced by \$223,032 by claiming expenses for tax purposes, such as depreciation and carrying costs of real estate in excess of amounts recorded in the accounts. This reduction is applicable to those future years in which these amounts already claimed for tax purposes will be charged against income and accordingly is included in the balance sheet as "Deferred Income Taxes".

NOTE 7 — 10% Debenture, Series A, due July 31, 1976

The Series A debentures are secured by a deed of trust and mortgage containing a first floating charge on the undertaking and all the property and assets of the company. The principal of each debenture will mature 25% on July 31 in each of the years 1973 to 1976 inclusive.

The Series A debentures are redeemable in whole or in part at the following percentage of the principal amount plus accrued interest to the date of first redemption, if redeemed in the twelve months ending July 31 in each of the following years:

1973	103%
1974	102%
1975	101%

Melton Real Estate Ltd. has the right to purchase debenture Series A in the market or by private contract at prices not exceeding the above percentages of the principal amount plus accrued interest and cost of purchase.

Each 500 debenture carries a share purchase warrant for 300 common shares. Bearers of the warrant may purchase common shares in the company at the following terms:

Price	Date
\$1.30	August 31, 1973
1.50	August 31, 1974
1.75	August 31, 1975
2.00	August 31, 1976

NOTE 8 — Share Capital

360,000 shares are reserved for issue to bearers of warrants.

NOTE 9 — Dividend Restrictions

The indenture under which the 10% debentures, Series A, were issued provides that so long as any debentures are outstanding, the Company will not pay any dividends which would have the effect of reducing consolidated retained earnings of the Company and its subsidiaries below \$1,438,901.

NOTE 10 — Remuneration Received by Directors and Officers

Salaries and Commissions	102,535
Directors' Fees	4,330
	<u>\$106,865</u>

NOTE 11 — Contingent Asset

The company has a contingent asset arising from agreements which gives the company the right to purchase certain lots, to be derived from the future sub-division of 500 acres of land in the City of Edmonton, at a fixed price substantially lower than the present market value of the lots.

REAL ESTATE SALES DIVISION OFFICES

GENERAL MANAGER J. R. SHERRIN

EDMONTON

RESIDENTIAL SALES MANAGER H. G. DUNDAS

MANAGERS

Head Office	10310 Jasper Avenue	424-7221	
New Home Sales Office	10310 Jasper Avenue	424-7221	Ian McKinnon
Jasper Place Office	15512 — Stony Plain Road	489-2551	Bill Chadwick
Glenora Office	12418 — 102 Avenue	488-0121	David Crawford
Northwest Office	40, 13160 — 118 Avenue	455-9191	Gerry Hancock
Norwood Office	8308 — 118 Avenue	479-3231	Sam Dudar
Southeast Office	9006 — 75 Street	466-1147	Tom Henderson
Southwest Office	10820 — 82 Avenue	439-3995	Don Clark
Commercial & Industrial Dept.	10310 Jasper Avenue	424-7221	Pat Turner
Property Management Dept.	10310 Jasper Avenue	424-7221	George Wengreniuk
Appraisal Dept.	10310 Jasper Avenue	424-7221	Jim MacNaught
Advertising Dept.	10310 Jasper Avenue	424-7221	Barry Shepherd

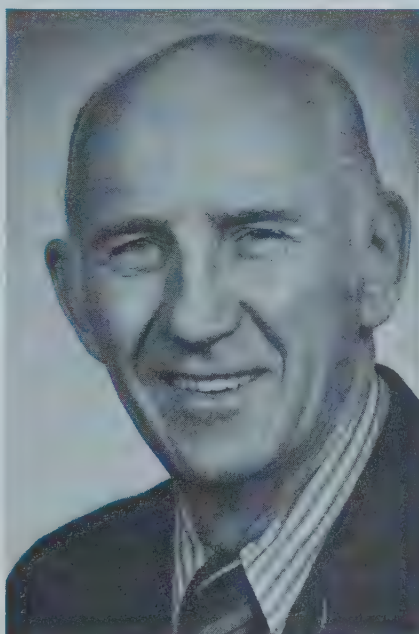
CALGARY

SALES MANAGER W. G. BENNETT

Main Office	534 — 8th Avenue S.W.	266-8671	
Northwest Office	14 — Stadium Shopping Centre	289-8406	Dan Danilowich
North Hill Office	4 — 1818 Centre Street N.	276-2281	George Phelps
Southwest Office	6 — Glamorgan Shopping Centre, 37th Street & Richmond Rd. S.W.	249-5551	Vic Gramlich
Macleod Trail Office	8820 Macleod Trail S.W.	252-1181	Al Larson
17 Avenue Office	320 — 17th Avenue S.W.	264-2144	Barney Bjornson
Commercial & Industrial Dept.	534 — 8th Avenue S.W.	266-8671	Carl Warren
Property Management Dept.			
Appraisal Dept.	534 — 8th Avenue S.W.	266-8671	Ira Knechtel

SASKATOON

Main Office	119 — 23 Street East	653-3636	Tim Melton
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J.R. Sherrin

REAL ESTATE SALES DIVISION REPORT

Despite the tight economic conditions experienced throughout 1970 real estate sales for our company surpassed our previous all time high production set in 1969 by 6.6%

In Edmonton we led the Multiple Listing Bureau in total sales for the 10th consecutive year with a volume in excess of \$16,000,000, an increase of 18.5% over 1969 and nearly double that of our nearest competitor.

In Calgary, we were second on M.L.S. sales, our total sales showed a 15% increase over 1969.

In Saskatoon our sales volume declined by 4%. Indications for 1971 are that sales show an upward trend. We anticipate increased sales and profits from this branch of our operation.

During 1970 our sales staff increased and a well programmed training course increased our staff's knowledge and efficiency providing a better service to our clients.

Three new departments were opened in the Real Estate Sales Division, namely — New Home Sales Dept. Edmonton — 17th Avenue branch, Calgary, and an Advertising and Public Relations Department at head office, Edmonton.

With a more buoyant economy, easier financing, and the desire of average Canadians to own their own homes, the outlook for 1971 is excellent. Your company, with its sound foundation and excellently trained sales force, looks forward to increased sales and profits for the coming year.

REAL ESTATE SALES DIVISION

VOLUME IN MILLIONS OF DOLLARS





EDMONTON DEPARTMENT MANAGERS

STANDING L. — R.: D. Clark, I. McKinnon, G. Hancock, S. Dudar, D. Crawford,
W. Chadwick, B. Shepherd.

SEATED L. — R.: SEATED: G. Wengreniuk, T. Henderson, J. MacNaught, H. Dundas, P. Turner.



CALGARY DEPARTMENT MANAGERS

STANDING L. — R.: G. Phelps, V. Gramlich, D. Danilowich, A. Larson, C. Warren.

SEATED L. — R.: B. Bjornson, W. G. Bennett, I. Knechtel.



J. McCracken

LAND DEVELOPMENT DEPARTMENT

Town of Spruce Grove — Our application for the annexation of approximately 600 acres to the Town of Spruce Grove was successful and the Town boundary now encompasses Nine (9) Quarter Sections. Broxton Park Subdivision is now fully serviced, with the exception of a very small amount of paving still to be completed in Stage IV. All lots have been sold with very few unsold new homes.

The plan of Brookwood Park Subdivision, our next development, has been approved. The plan is being prepared for registration, and plans and specifications are being prepared for Underground Services. Stage I of this development will include approximately 230 Single Family lots plus parcels for Duplex, Linked Housing, Multi-Family and Commercial development. It is anticipated that we should have lots on the market for construction in the early Summer.

Town of Leduc — While sales were slow during the latter part of 1970, there has been a considerable improvement during the past two months. We are virtually sold out of lots in Stage I, with the exception of 11 Duplex Lots.

We have received approval for Stage II which contains some 238 lots, plus a Multi-Family Site of 2.8 Acres. We plan to proceed with the design of services with a view to commencing construction of same in the early summer. The specific number of lots to be serviced will depend on the engineering design.

West Jasper Place — The plan of Subdivision for Callingwood was registered on February 22nd, 1971. Construction of the Sanitary and Storm Sewer is well advanced and we are negotiating to have Curbs, Sidewalks and Roads built on at least part of the Subdivision this year.

Progress is being made for the registration of a portion of Primrose Subdivision as our next phase of development. We look forward to having a steady "flow" of lots, Single and Multi-Family, during the next few years.



T. Heisler

REAL ESTATE INVESTMENT DEPARTMENT

The completion of Hillington Court, an award-winning 102-unit town house complex, is expected in June 1971. A number of suites have already been leased and interest stimulated by initial promotion for the project is encouraging.

By far sighted and well programmed land purchases, Melton Real Estate Ltd., has acquired interests in parcels of land located in West and Southwest Edmonton. These parcels of land will be subdivided over the next few years providing a substantial land inventory for the development of income-producing properties.

The Investment Division of the Company, like all other divisions of the company, was not immune to the stringent economic conditions which prevailed throughout 1970. High interest rates and shortage of mortgage funds placed a limitation on the development of income-producing properties.

However, with more favourable economic conditions expected in 1971, indications for a good year in investment expansion is anticipated.

PERSONNEL

The personnel structure of your company during 1970 was highlighted by the appointment of nine senior positions from within the company.

It is company policy to promote from within wherever possible and these promotions serve to illustrate the increasing growth and stature your company enjoyed during a period of general restraint throughout the business world.

We are pleased to advise that the Vice-President and General Manager of the company, Mr. J. R. Sherrin, has been elected President of the Edmonton Real Estate Board and Mr. Al Larson of our Calgary Branch was elected First Vice-President of the Alberta Real Estate Association. Also Mr. J. McCracken was recently elected as president of the Urban Land Institute of Alberta.

PUBLIC RELATIONS

Over the past year your Company has enjoyed a level of public relations of the highest order, a state which is not easily or automatically attained in a service industry such as Real Estate. It has been achieved by the diligence and integrity of our employees in all sections of the Company. Following is a random sample of a letter of appreciation from one of our many satisfied clients:

from Mrs. C. Cooke
 1736 Cayuga Drive N.W.
 Calgary 48, Alberta
 January 8, 1971

What prompted you to contact our firm: Successful sale of my house in Edmonton within a week after it was listed in July, 1968; and sale of my mother's house in Saskatoon, at 803 Main Street, in June, 1968, by your Company.

Was the transaction handled satisfactorily? Yes.

Comments: I have been pleased with the service your Company has rendered. I appreciated being constantly informed while you had my property listed. It was a pleasure dealing with Mr. Tim Melton. He offered good advice and was frank, courteous and affable.

Several branches of your Company have supplied sponsorships for Community Little League Baseball, also Midget and Pee Wee Hockey Teams. (Melton Real Estate Ltd. is proud of this association).

Excellent Public Relations cannot be measured by a yardstick but as a foundation for a continuance of improved and increasing business volume for your Company.

